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CONFIDENTIAL

SIPDIS  
TELEGRAM

July 06, 2004

To: No Action Addressee  
Action: Unknown  
From: AMEMBASSY ABU DHABI (ABU DHABI 2254 - UNKNOWN)  
TAGS: ECON, EFIN, EINV, EPET, PINS, PREL, PGOV  
Captions: None  
Subject: UAE: MAJOR SHAKE-UP IN THE SUPREME PETROLEUM COUNCIL  
Ref: None

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CONFIDENTIAL ABU DHABI 02254

SIPDIS  
CXABU:  
ACTION: ECON  
INFO: P/M AMB DCM POL  
Laser1:  
INFO: FCS

DISSEMINATION: ECON  
CHARGE: PROG

APPROVED: CDA: RALBRIGHT  
DRAFTED: ECON: CCRUMPLER  
Cleared: POL:JMAYBURY; FCS:MOBRIEN

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FM AMEMBASSY ABU DHABI  
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CONFIDENTIAL SECTION 01 OF 03 ABU DHABI 002254

SIPDIS

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E.O. 12958: DECL: 07/06/09  
TAGS: ECON EFIN EINV EPET PINS PREL PGOV TC  
SUBJECT: UAE: MAJOR SHAKE-UP IN THE SUPREME PETROLEUM  
COUNCIL

REF: A) 02 ABU DHABI 1415

- B) ABU DHABI 735
- C) ABU DHABI 1197
- D) ABU DHABI 13

¶11. (U) Classified by Charge d'Affaires, a.i. Richard A. Albright, for reasons 1.5 (b) and (d).

¶12. (C/NF) Summary and comment: In a surprise move, Abu Dhabi Crown Prince Shaykh Khalifa bin Zayed Al-Nahyan overhauled the membership of the secretive Supreme Petroleum Council (SPC) on June 29. Long-time advisers to UAE President Zayed and aging royal family members were ousted and replaced by younger, Western-educated technocrats and National Oil Company (ADNOC) heavyweights. Although Khalifa presides over the SPC (and local press reported that Khalifa initiated the reorganization), it is probable that the more progressive UAE Armed Forces Chief of Staff and Abu Dhabi Deputy Crown Prince Shaykh Mohammed bin Zayed (MbZ) orchestrated the membership change.

¶13. (C/NF) The SPC is an exclusive organization that determines Abu Dhabi's oil policy (ref A). It is the SPC, not the Petroleum Ministry, which oversees ADNOC and determines Abu Dhabi's position on OPEC issues. The SPC also makes decisions about international oil company participation in major oil projects within the emirate, and most recently delayed a controversial decision to award an equity stake in the mammoth Upper Zakum offshore oil field to ExxonMobil, BP, or Shell (ref B). The new SPC members are favorably disposed to the United States, and we're confident that U.S. oil companies will benefit from the organization's reform. We assess that this is a continuation of many expected personnel changes leading to the rejuvenation and modernization of local and federal government institutions, including the Abu Dhabi Executive Council, the federal Cabinet and the Federal National Council (ref C). End summary and comment.

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Who's In  
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¶14. (C) The new membership of the SPC indicates that CP Khalifa and Deputy CP Mohammed are consolidating their power, and replacing their father's long time advisers with trusted technocrats and other competent, Western-educated sons of Shaykh Zayed. Shaykh Khalifa reappointed his half brothers, MbZ and UAE Deputy Prime Minister Shaykh Sultan bin Zayed Al-Nahyan to the SPC. Although the latter plays a marginal role in Abu Dhabi politics these days, Shaykh Khalifa probably retained Sultan out of respect for his title and senior position within the ruling family.

¶15. (C) Shaykh Khalifa also kept his trusted adviser, Mohammed Habroush Al-Suweidi, who is enormously respected, incorruptible, and while semi-reclusive, plays a key behind-the-scenes-role in almost all of Abu Dhabi's main financial institutions. Al-Suweidi's protege, ADNOC Board Member Jua'an Salem Al-Dhaheri and Abu Dhabi Investment Authority (ADIA) Board Member Khalifa Mohammed Khalifa Al-Kindi also remain on the SPC and have considerable experience in Abu Dhabi's oil sector.

¶16. (C) New appointees to the SPC include up-and-comer Shaykh Hamed bin Zayed Al-Nahyan -- a young, dynamic and Western educated son of UAE President Zayed from the Bani Muza line and Chairman of the Abu Dhabi Economic Department. He also sits on the powerful Abu Dhabi Executive Council, and a number of American businessmen here say that Hamed is a progressive thinker who has supported Abu Dhabi's efforts to privatize and reform its quasi-governmental commercial holdings.

¶17. (C) Shaykh Mansour bin Zayed Al-Nahyan, a relatively young son (b. 1970) of UAE President Zayed and UAE First

Lady Fatima bint Mubarak, also was appointed to the SPC. Mansour is the Director of the President's Office and the relatively new Chairman of the International Petroleum Investment Company (IPIC). Although he has some experience managing Abu Dhabi's oil investments, Mansour probably owes his new SPC position to the fact that he is a Bani Fatima and a powerful palace insider.

¶8. (C) One of the more surprising new appointments to the SPC is ADNOC's Deputy CEO and Director of the Exploration and Production Department Abdullah Nasser Al-Suweidi, who plays an integral role in the supervision of Abu Dhabi's overall oil production (bio notes in ref D). He is by far the lowest ranking member of the SPC, but a highly respected technocrat and heavyweight within the ADNOC hierarchy. Abdullah oversees all onshore and offshore exploration and development in the emirate, and manages three joint venture operations: Abu Dhabi Company for Onshore Operations (ADCO), Abu Dhabi Marine Operations Company (ADMA-OPCO), and Zakum Development Company (ZADCO), and ADNOC's sole risk concessions. He worked his way through the ranks of the national oil company, having previously served as ADNOC's Director of the Planning and Coordination Department, the Industrial Projects Division, and chaired another ADNOC subsidiary company, the Abu Dhabi Gas Liquefaction Company (ADGAS). Abdullah is U.S.-educated, well informed and has been the key supervisor of the Upper Zakum bidding process. His brother is the Governor of the UAE central Bank.

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Who's Out  
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¶9. (C/NF) The elimination of several ruling family members with honorary positions on the SPC and tribal ties to President Zayed, or businessmen shaykhs with long-standing connections to the ruling family is notable. There's been no mention of these men in the local press, and it's unclear whether they were forcibly retired or demoted to some lesser consultative role. The UAE's first Oil Minister, Dr. Mana'a Saeed Al-Otaiba served for many years as a personal adviser to Shaykh Zayed, but seems to have fallen out of favor with most of the leading shaykhs in recent years. UAE Deputy Prime Minister Shaykh Hamdan bin Zayed has told the Ambassador that Al-Otaiba often makes bold initiatives without first consulting with the relevant players.

¶10. (C) Undersecretary of Shaykh Khalifa's Diwan, Ali bin Ahmed Al-Dhaheri, also was eliminated from the SPC. There recently have been indications that Al-Dhaheri's influence with Shaykh Khalifa had declined; he owed his position on the SPC as much to friendship and loyalty as to any innate ability or expertise. Al-Dhaheri also is the Secretary-General of the Abu Dhabi Executive Council, but we have no information suggesting that he has been stripped of his other positions.

¶11. (C) ADIA Director Mohammed Eid Al-Muraikhi, and Shaykhs Tahnoun bin Mohammed Al-Nahyan and Suroor bin Mohammed Al-Nahyan were ousted from the SPC. In past conversations with the Ambassador, they had seemed relatively uninformed about the SPC's agenda or relevant oil issues. Tahnoun's elimination is significant because of his senior position within the ruling family; he is Shaykh Zayed's highly respected but only informally schooled representative in the emirate's Eastern Region (i.e., Governor of Al-Ain). Suroor holds the largely ceremonial position of Chamberlain of the Presidential Court, but has largely divorced himself from governmental responsibilities in recent years. These older and less-educated shaykhs also may have been unduly influenced by what was heard on the majlis circuit -- which often is intended to influence as much as inform -- and relied less on the expertise of ADNOC to evaluate multi-million dollar petroleum projects.

¶12. (C/NF) The former SPC membership was based more on traditional tribal connections rather than acumen or expertise -- the SPC had no economists, policy planners, lawyers and almost no formal staff at all. The new membership represents the best and brightest that Abu Dhabi's oil sector has to offer. These former and current ADNOC leaders and assembles a group of men are favorably disposed to the United States -- they are our key interlocutors on oil issues, are Western educated, have children studying in the United States, and travel to the U.S. frequently for business and leisure.

¶13. (C/NF) The shake-up in SPC membership appears likely to confirm what MbZ told the Ambassador earlier this year -- the SPC intends to award a 28 percent stake of the Zakum Development Company (ZADCO) to U.S. company ExxonMobil. The change in SPC membership may, in fact, have been an effort to build consensus for the U.S. oil giant's bid. The SPC's delay in making a final decision on the Zakum project in January indicated division among the SPC membership. In the absence of consensus for a single company, the SPC short listed three companies (ExxonMobil, BP and Shell) for the project and directed ADNOC to seek "further clarification" of these select bids.

¶14. (C/NF) In January, it was clear that ExxonMobil was the favorite of ADNOC, and ADNOC CEO Yousef bin Omeir had convinced Shaykh Khalifa to support the ExxonMobil bid. In meetings with the Ambassador, both MbZ and Mohammed Habroush Al-Suweidi intimated that they, too, favored ExxonMobil's bid. Chamberlain of the President's Court Shaykh Suroor bin Mohammed, however, was a known advocate for BP, and may have voiced his opposition to Exxon. Also in meetings with the Ambassador, Shaykh Tahnoon bin Mohammed seemed uninformed about Upper Zakum. In the coming months, the new SPC membership of current and former ADNOC technocrats could well support unanimously Exxon's bid for the Upper Zakum project.

Albright